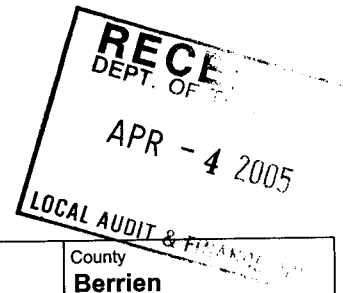


# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>St. Joseph Housing Commission</b>	County <b>Berrien</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>12/3/04</b>	Date Accountant Report Submitted to State: <b>12/31/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Anderson, Tackman & Company, PLC**

Street Address

**201 E. Hughitt, Po Box 828**

City

**Iron Mountain**

State

**MI**

ZIP

**49801**

Accountant Signature

Date

**3-31-05**

## ST. JOSEPH HOUSING COMMISSION

### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	3
General Purpose Financial Statements:	
Balance Sheet.....	5
Statement of Revenues, Expenses and Changes in Retained Earnings.....	6
Combining Statement of Cash Flows.....	7
Notes to Financial Statements.....	8
Supplemental:	
Financial Data Schedule.....	17
Actual Modernization Cost Certificate.....	21
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards".....	22





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
St. Joseph Housing Commission  
St. Joseph, Michigan

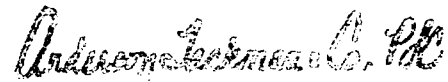
We have audited the accompanying general purpose financial statements of St. Joseph Housing Commission ("Commission") as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board of Commissioners and management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph Housing Commission as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated December 3, 2004, on our consideration of St. Joseph Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of St. Joseph Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, P.L.C.  
Certified Public Accountants

St. Joseph, Michigan  
December 3, 2004

**St. Joseph Housing Commission**  
**- ENTERPRISE FUND**

**BALANCE SHEET**

March 31, 2004

**ASSETS**

**CURRENT ASSETS:**

Cash and equivalents	\$ 333,165
Accounts receivable	886
Interprogram due from	880

TOTAL CURRENT ASSETS	334,931
----------------------	---------

**FIXED ASSETS:**

Land and improvements	1,159,797
Buildings	1,576,172
Equipment	78,994
Construction in progress	10,877

Less accumulated depreciation	2,825,840 (2,027,369)
-------------------------------	--------------------------

NET FIXED ASSETS	798,471
------------------	---------

TOTAL ASSETS	\$ 1,133,402
--------------	--------------

**LIABILITIES AND EQUITY**

**LIABILITIES:**

Accounts payable	\$ 9,078
Accrued liabilities	40,885
Interprogram due to	880

TOTAL CURRENT LIABILITIES	50,843
---------------------------	--------

TOTAL LIABILITIES	50,843
-------------------	--------

**EQUITY:**

Contributed capital - net of accumulated depreciation	376,238
Retained earnings - unreserved	706,321

TOTAL EQUITY	1,082,559
--------------	-----------

TOTAL LIABILITIES AND EQUITY	\$ 1,133,402
------------------------------	--------------

The accompanying notes to financial statements are an integral part of this statement.

**St. Joseph Housing Commission**  
**- ENTERPRISE FUND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS**

For the Year Ended March 31, 2004

OPERATING REVENUES:

Tenant revenue	\$ 290,585
Program grants-subsidies	<u>133,488</u>
TOTAL OPERATING REVENUES	<u>424,073</u>

OPERATING EXPENSES:

Administration	96,838
Tenant services	6,346
Utilities	84,675
Maintenance	128,581
General expenses	36,082
Depreciation	<u>116,246</u>
TOTAL OPERATING EXPENSES	<u>468,768</u>

OPERATING (LOSS)	<u>(44,695)</u>
------------------	-----------------

OTHER INCOME (EXPENSES):

Other expenses	(806)
Other Income	9,747
Interest income	<u>2,826</u>

TOTAL OTHER INCOME (EXPENSES)	<u>11,767</u>
-------------------------------	---------------

NET (LOSS)	(32,928)
------------	----------

ADD:

Depreciation on assets acquired with contributed capital	103,348
Prior period adjustment	13,741

RETAINED EARNINGS, BEGINNING OF PERIOD	<u>622,160</u>
--	----------------

RETAINED EARNINGS, END OF PERIOD	<u><u>\$ 706,321</u></u>
----------------------------------	--------------------------

The accompanying notes to financial statements are an integral part of this statement.



**St. Joseph Housing Commission**  
**-ENTERPRISE FUND**

**COMBINING STATEMENT OF CASH FLOWS**

For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Net (loss)	\$ (32,928)
Adjustments to reconcile operating income to net cash provided from operating activities:	
Depreciation	116,246
Change in assets and liabilities:	
(Increase) Decrease:	
Accounts receivable	67,813
Prepaid expenses	359
Other assets	122
Increase (Decrease):	
Accounts payable	8,612
Accrued liabilities	(19,933)
Other liabilities	(122)

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>140,169</u>
---	----------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	<u>(61,843)</u>
--------------------------	-----------------

NET CASH (USED) BY INVESTING ACTIVITIES	<u>(61,843)</u>
---	-----------------

NET INCREASE IN CASH	78,326
----------------------	--------

CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>254,839</u>
---	----------------

CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 333,165</u></u>
-----------------------------------	--------------------------

The accompanying notes to financial statements are an integral part of this statement.

**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**

The St. Joseph Housing Commission (Commission) was formed under the criteria established for low income housing programs by the United States Department of Housing and Urban Development. The Commission operates under a board of commissioners appointed by the City Council.

It is the Commissions policy to apply accounting principles generally accepted in the United States of America to present fairly its financial position, results of operations, and cash flows. The significant accounting policies utilized by the Commission are described below:

- A. Reporting Entity- In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Commission and/or its constituents, or whether the activity is conducted within the geographic boundaries of the Commission and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Commission is able to exercise oversight responsibilities.

Based upon the application of these criteria, the general purpose financial statements of the St. Joseph Housing Commission contain all the funds and account groups controlled by the Commission's Board of Commissioners as no other entity meets the criteria to be considered a component unit of the Commission nor is the Commission a component unit of another entity.





**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**

(Continued)

- B. Fund Accounting - The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Commission functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The following fund is used by the Commission:

Proprietary fund

Enterprise fund. To account for operations (1) that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Commission elects to apply FASB pronouncements issued on or after November 30, 1989 unless they conflict with or contradict GASB pronouncements.

- C. Basis of Accounting - The accrual basis of accounting is used by the proprietary fund. Under this method, revenues are recorded when earned. Expenditures are recorded when the related fund liability is incurred.



**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**  
(Continued)

- D. Budgets – Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:
1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
  2. Formal budgetary integration is employed as a management control device during the year.
  3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.
- E. Cash and Equivalents - Cash and equivalents consist of cash in checking and saving accounts and cash on hand. For purposes of the statement of cash flows, the Commission considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.
- F. Investments – Investments are stated at fair market value.
- G. Prepaid Expenditures - Prepaid expenditures, such as insurance premiums, which are expected to be written off within the next fiscal year are included in net current assets. Reported expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**  
(Continued)

H. Fixed Assets - Fixed assets are stated at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Depreciation is recorded in the proprietary fund using the straight-line method over the following years:

Building & improvements	10-40 years
Equipment	5-10 years

Depreciation expense for the year ended March 31, 2004 was \$116,246.

I. Interprogram Receivables and Payables - The current portion of lending/borrowing arrangements between programs are identified as "due to/from other programs". The non-current portion of outstanding balances between programs are reported as "transfers to/from other programs".

J. Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability.



**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**  
(Continued)

- K. Equity - The retained earnings unreserved represents the amounts available for budgeting future operations. The financial statements include the Proprietary Fund with a cumulative fund balance at March 31, 2004 of \$706,321.

The contributed capital represents the contributions which were contributed to the Commission. They were recorded at their fair market values at the time of the contribution. The amounts are summarized as follows:

Balance, April 1, 2003	\$ 479,586
Deduct: Depreciation on fixed assets acquired with contributed capital	<u>(103,348)</u>
BALANCE, MARCH 31, 2004	\$ <u>376,238</u>

**NOTE B - CASH & INVESTMENTS - CREDIT RISK**

Cash and investments consisted of interest bearing cash and investment accounts and were in accordance with State of Michigan statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. However, the U. S. Department of Housing and Urban Development (HUD) requires that all funds be fully collateralized in excess of the insured amount.

Statutory authority:

Michigan law (Act 196 PA 1997) authorizes the Housing Commission to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.



**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE B -CASH & INVESTMENTS - CREDIT RISK(Continued)**

- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Cash and investments are classified as to credit risk by the following three categories.

Category 1 - Insured or registered, or securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by it's trust department or agent but not in the Commission's name.

**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE B - CASH & INVESTMENTS - CREDIT RISK(Continued)**

The Commission's cash and investments are categorized as follows:

	<u>Category</u>			<u>Cost</u>	<u>Market</u>	<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Value</u>	<u>Balance</u>
Petty Cash	\$ 250	\$ -	\$ -	\$ 250	\$ -	\$ -
Cash and equivalents	195,224	-	-	195,224	-	199,611
Savings	97,681	-	-	97,681	-	97,681
Certificates of deposit	<u>40,010</u>	<u>-</u>	<u>-</u>	<u>40,010</u>	<u>40,010</u>	<u>40,010</u>
	<u>\$333,165</u>	<u>\$ -</u>	<u>-</u>	<u>\$333,165</u>	<u>\$ 40,010</u>	<u>\$ 337,302</u>
Cash and Equivalents	<u>\$333,165</u>					

The Commission held cash and equivalents in excess of FDIC insurance limits in the amount of \$139,621 at March 31, 2004.

**NOTE C - FIXED ASSETS**

	<u>Balance</u>			<u>Balance</u>
	<u>4-1-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>3-31-04</u>
Land and improvements	\$1,022,810	\$ 136,987	\$ -	\$1,159,797
Building & improvements	1,576,172	-	-	1,576,172
Equipment	78,113	881	-	78,994
Construction in progress	<u>86,902</u>	<u>10,877</u>	<u>(86,902)</u>	<u>10,877</u>
Total fixed assets	<u>\$2,763,997</u>	<u>\$ 148,745</u>	<u>\$ (86,902)</u>	<u>\$2,825,840</u>

**NOTE D - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ST. JOSEPH HOUSING COMMISSION**  
**-ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

(Continued)

**NOTE E- PRIOR PERIOD ADJUSTMENT**

Certain errors resulting in the understatement of previously reported fixed assets were discovered during the current year. Accordingly, an adjustment of \$13,741 was made during 2004 to write up fixed assets as of the beginning of the year. A corresponding entry was made to previously reported retained earnings in the same amount.

**NOTE F - CONCENTRATION OF RISK**

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended March 31, 2004 totaled \$424,073 of which \$133,488 or 32% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



SUPPLEMENTARY DATA



**St. Joseph Housing Commission**

**Enterprise Fund**

**Financial Data Schedule**

March 31, 2004

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 333,165	\$ -	\$ 333,165
100	Total cash	333,165	-	333,165
Accounts and notes receivables:				
125	Accounts receivable- Miscellaneous	-	880	880
126	Accounts receivable- Tenants- Dwelling Rents	6	-	6
120	Total receivables, net of allowances for doubtful accounts	6	880	886
Other assets				
144	Interprogram due from	880	-	880
150	TOTAL CURRENT ASSETS	334,051	880	334,931
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	19,800	-	19,800
162	Buildings	1,576,172	-	1,576,172
164	Furniture, equipment & machinery - administration	78,113	881	78,994
165	Leasehold improvements	1,003,010	136,987	1,139,997
166	Accumulated depreciation	(2,022,759)	(4,610)	(2,027,369)
167	Construction in progress	-	10,877	10,877
160	Total fixed assets, net of accumulated depreciation	654,336	144,135	798,471
180	TOTAL NONCURRENT ASSETS	654,336	144,135	798,471
190	TOTAL ASSETS	\$ 988,387	\$ 145,015	\$ 1,133,402

See accompanying notes to financial statements



**St. Joseph Housing Commission**

**Enterprise Fund**

**Financial Data Schedule**

March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 9,078	\$ -	\$ 9,078
322	Accrued Compensated absences- Current Portion	5,799	-	5,799
333	Accounts payable - other government	22,708	-	22,708
341	Tenant security deposits	8,878	-	8,878
342	Deferred revenues	3,500	-	3,500
347	Interprogram due to	-	880	880
310	TOTAL CURRENT LIABILITIES	49,963	880	50,843
300	TOTAL LIABILITIES	49,963	880	50,843
EQUITY:				
Contributed Capital:				
504	Net HUD PHA contributions	376,238	-	376,238
508	Total contributed capital	500,095	-	376,238
Reserved fund balance:				
512	Undesignated fund balance/retained earnings	562,186	144,135	706,321
513	TOTAL EQUITY	1,062,281	144,135	1,082,559
600	TOTAL LIABILITIES AND EQUITY	\$ 1,112,244	\$ 145,015	\$ 1,133,402



**St. Joseph Housing Commission**  
**Enterprise Fund**  
**Financial Data Schedule**

For the Year Ended March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
703	Net tenant rental revenue	\$ 271,227	\$ -	\$ 271,227
704	Tenant revenue - other	19,358	-	19,358
705	Total tenant revenue	290,585	-	290,585
706	HUD PHA grants	69,321	2,323	71,644
706.1	Capital grants	-	61,844	61,844
711	Investment income - unrestricted	2,826	-	2,826
715	Other revenue	9,747	-	9,747
700	TOTAL REVENUE	372,479	64,167	436,646
<b>EXPENSES:</b>				
<u>Administrative</u>				
911	Administrative salaries	70,989	-	70,989
912	Auditing fees	2,100	-	2,100
914	Compensated absences	(14,840)	-	(14,840)
915	Employee benefit contributions- administrative	20,842	-	20,842
916	Other operating- administrative	17,106	641	17,747
	Total Administrative	96,197	641	96,838
<u>Tenant services</u>				
924	Tenant services - other	6,346	-	6,346
<u>Utilities</u>				
931	Water	6,075	-	6,075
932	Electricity	26,145	-	26,145
933	Gas	52,455	-	52,455
	Total Utilities	84,675	-	84,675
<u>Maintenance</u>				
941	Ordinary maintenance and operations - labor	61,891	-	61,891
942	Ordinary maintenance and operations - materials & other	13,515	-	13,515
943	Ordinary maintenance and operations - contract costs	36,221	-	36,221
945	Employee benefit contributions- ordinary maintenance	16,954	-	16,954
	Total Maintenance	128,581	-	128,581
<u>General Expenses</u>				
961	Insurance premiums	15,491	-	15,491
963	Payments in lieu of taxes	20,591	-	20,591
	Total General Expenses	36,082	-	36,082

See accompanying notes to financial statements

**St. Joseph Housing Commission**  
**Enterprise Fund**  
**Financial Data Schedule**

For the Year Ended March 31, 2004

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
969	TOTAL OPERATING EXPENSES	351,881	641	352,522
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	20,598	63,526	84,124
971	Extraordinary Maintenance	806		806
974	Depreciation expense	111,636	4,610	116,246
900	TOTAL EXPENSES	464,323	5,251	469,574
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in	1,682	-	1,682
1002	Operating transfers out	-	(1,682)	(1,682)
1010	TOTAL OTHER FINANCING SOURCES (USES)	1,682	(1,682)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (90,162)	\$ 57,234	\$ (32,928)
MEMO account information				
1103	Beginning equity	904,729	197,017	1,101,746
1104	Prior Period Adjustments, Equity Transfers	123,857	(110,116)	13,741
1112	Depreciation Add Back	103,348	-	103,348
1120	Unit months available	1,284	-	1,284
1121	Number of unit months leased	1,250	-	1,250

# Actual Modernization Cost Certificate

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB Approval No. 2577-0044 (exp. 04/30/2004)  
OMB Approval No. 2577-0157 (exp. 12/31/99)

Comprehensive Improvement Assistance Program (CIAP)  
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name:

**ST. JOSEPH HOUSING COMMISSION**

Modernization Project Number:

**MI33P04650101**

The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$ 139,682
B. Funds Disbursed	\$ 139,682
C. Funds Expended (Actual Modernization Cost)	\$ 139,682
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and

5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

x *Nancy E. Walker*  
**NANCY E. WALKER**

**MARCH 5, 2004**

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X *Tom Lahey*

Date:

*4/5/04*

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Date:

Approved: (Director, Office of Public Housing / ONAP Administrator)

X

Date:

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Board of Commissioners  
St. Joseph Housing Commission  
St. Joseph, Michigan

We have audited the general purpose financial statements of the St. Joseph Housing Commission as of and for the year ended March 31, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Joseph Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the St. Joseph Housing Commission, in a separate letter dated December 3, 2004.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TACKMAN & COMPANY, P.L.C.  
Certified Public Accountants

Iron Mountain, Michigan  
December 3, 2004

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

December 3, 2004

Board of Commissioners  
St. Joseph Housing Commission  
St. Joseph, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the St. Joseph Housing Commission for the year ended March 31, 2004, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 3, 2004, on the financial statements of the St. Joseph Housing Commission.

1. During the review of cash disbursements it was noted that employees were given a mile reimbursement check each month for the business use of their vehicle.

Recommendation

The Commission should require all employees to complete a mileage reimbursement form each month. This form should require employees to detail the amount of business use of their personal vehicles and then be reimbursed on the actual use rather than a set amount each month. Employees should be reimbursed using the applicable IRS rate which is 40.5 cents per mile for 2005.

2. During the review of cash receipts and tenant files it was noted that cash is received for payment of rent. In addition it was noted that deposit slips did not list the checks included in each deposit in detail.

Recommendation

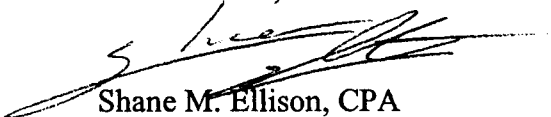
The Commission should consider adopting a policy which would preclude tenants from paying for their rent with cash. Most housing commissions have policies that require tenants to pay by check or money order. This would mitigate the fraud risks and exposure the housing would have in regards to accepting cash in the office. If the Commission does not accept a policy to preclude tenants from paying their rents in cash, then the policy of making change to tenants who pay their rent with checks in excess of their rent amount should be stopped. All tenants should be required to pay for their rent in exact amounts only.

Additionally, the deposit slips completed each month should be detailed out as to what checks are included in each deposit. Each check should be itemized on the deposit slip so as to allow ease of tracking of a particular tenant or check to a specific deposit slip.

We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC



Shane M. Ellison, CPA  
Principal